

**2008 Environmental Tax Credit****3511**

Attach to your California tax return.

Name(s) as shown on your California tax return

☐ SSN or ITIN ☐ Corporation no. ☐ FEIN

Secretary of State (SOS) file number

**Part I Current Year Credit**

<b>1</b> Ultra low sulfur diesel fuel produced (in gallons). See instructions. ....	<b>1</b>											
<b>2</b> Multiply line 1 by 5 cents (.05) .....	<b>2</b>	00										
<b>3</b> Qualified capital costs limitation. See instructions. ....	<b>3</b>	00										
<b>4</b> Total ultra low sulfur diesel fuel production credits allowed for all prior taxable years .....	<b>4</b>	00										
<b>5</b> Subtract line 4 from line 3. ....	<b>5</b>	00										
<b>6</b> Enter the smaller of line 5 or line 2 .....	<b>6</b>	00										
<b>7</b> Ultra low sulfur diesel fuel production credits from pass-through entities:												
<table border="1"> <thead> <tr> <th>If you are a:</th> <th>Then enter the credit(s) from:</th> </tr> </thead> <tbody> <tr> <td>Shareholder</td> <td>Schedule K-1 (100S)</td> </tr> <tr> <td>Beneficiary</td> <td>Schedule K-1 (541)</td> </tr> <tr> <td>Partner</td> <td>Schedule K-1 (565)</td> </tr> <tr> <td>Member</td> <td>Schedule K-1 (568)</td> </tr> </tbody> </table>	If you are a:	Then enter the credit(s) from:	Shareholder	Schedule K-1 (100S)	Beneficiary	Schedule K-1 (541)	Partner	Schedule K-1 (565)	Member	Schedule K-1 (568)	<b>7</b>	00
If you are a:	Then enter the credit(s) from:											
Shareholder	Schedule K-1 (100S)											
Beneficiary	Schedule K-1 (541)											
Partner	Schedule K-1 (565)											
Member	Schedule K-1 (568)											
<b>8</b> Current year credit. Add line 6 and line 7. ....	<b>8</b>	00										
<b>9</b> Credit carryover from prior year(s). See instructions. ....	<b>9</b>	00										
<b>10</b> Total available environmental tax credit. Add line 8 and line 9. ....	<b>10</b>	00										
<b>11</b> Enter the amount of the credit claimed on the current year tax return. See instructions .....	<b>11</b>	00										
This amount may be less than the amount on line 6 if your credit is limited by tentative minimum tax on your tax liability.												
<b>12</b> Credit carryover available for future years. Subtract line 11 from line 10 .....	<b>12</b>	00										

**Part II Credit Recapture**

<b>13</b> Credit Recapture. See instructions .....	<b>13</b>	00
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**General Information****A Purpose**

Use form FTB 3511, Environmental Tax Credit, to figure the credit for ultra low sulfur diesel fuel produced by a small refiner located in California. Also use this form to claim pass-through environmental tax credits, received from S corporations, estates or trusts, partnerships, or limited liability companies (LLCs) classified as partnerships, for ultra low sulfur diesel fuel produced by a small refiner located in California.

S corporations, estates or trusts, partnerships, and LLCs classified as partnerships should complete form FTB 3511 to figure the amount of credit to pass through to shareholders, beneficiaries, partners, or members. Attach this form to Form 100S, California S Corporation Franchise or Income Tax Return; Form 541, California Fiduciary Income Tax Return; Form 565, Partnership Return of Income; or Form 568, Limited Liability Company Return of Income. Show the pass-through credit for each shareholder, beneficiary, partner, or member on Schedule K-1 (100S, 541, 565, or 568).

**Round Cents to Dollars** – Round cents to the nearest whole dollar. For example, round \$50.50 up to \$51 or round \$25.49 down to \$25. If you do not round, the Franchise Tax Board (FTB) will disregard the cents. This helps process your returns quickly and accurately.

**B Description**

The California environmental tax credit is available for each taxable year beginning on or after July 1, 2005, and before January 1, 2018. The environmental tax credit is equal to five cents (\$0.05) for each gallon of ultra low sulfur diesel fuel produced during the taxable year by a

small refiner at any facility located in California. The aggregate credit for any taxable year with respect to the facility cannot exceed 25% of the qualified capital costs incurred by the small refiner reduced by the aggregate credits for all prior taxable years.

**C Qualifications**

To qualify for this credit, a small refiner must request from the California Air Resources Board (CARB) a certification that both of the following are true:

- The items for which qualified capital costs were paid or incurred are for compliance with the applicable Environmental Protection Agency (EPA) or CARB regulations.
- The small refiner placed the items, for which qualified capital costs were paid or incurred, in service.

**D Definitions**

1. "Ultra low sulfur diesel fuel" includes the following:
  - Diesel fuel with a sulfur content of 15 parts per million or less.
  - Vehicular diesel fuel produced and sold by a small refiner on or after June 1, 2006. Or, if sold before June 1, 2006, the refiner specifically identifies and supports through internal test reports as meeting applicable CARB regulations.
2. "Small refiner" is any refiner who owns or operates a refinery in California that:
  - Has had at all times since January 1, 1978, a crude oil capacity of not more than 55,000 barrels per stream day.

- Has not been at any time since September 1, 1988, owned or controlled by any refiner that at the same time owned or controlled refineries in California with a total combined crude oil capacity of more than 55,000 barrels per stream day.
  - Has not been at any time since September 1, 1988, owned or controlled by any refiner that at the same time owned or controlled refineries in the United States with a total combined crude oil capacity of more than 137,500 barrels per stream day.
3. "Qualified capital costs," with respect to the facility, are costs paid or incurred during the applicable period that meet both CARB and EPA regulations. The costs include, but are not limited to, expenditures for the construction of new process operation units or the dismantling and reconstruction of existing process units to be used in the production of ultra low sulfur diesel fuel, associated adjacent or offsite equipment (including tankage, catalyst, and power supply), engineering, construction period interest, site work, and permitting.
  4. "Applicable period," with respect to the facility, is the period beginning January 1, 2004, and ending May 31, 2007.
  5. "Facility" is a small refiner's petroleum refinery located in California that has incurred qualified capital costs to produce ultra low sulfur diesel fuel.
  6. "Applicable EPA regulations" is the Highway Diesel Fuel Sulfur Control Requirements of the EPA.
  7. "Applicable CARB regulations" is the Vehicular Diesel Fuel Sulfur Control Requirements of the CARB under Section 2281 of Article 2 of Chapter 5 of Division 3 of Title 13 of the California Code of Regulations.
  8. "Barrels per stream day" is the maximum number of barrels of input that a distillation facility can process within a 24-hour period when running at full capacity under optimal crude and product slate conditions with no allowance for downtime.

## E Basis

For more information, including basis reduction, see R&TC Sections 17053.62 and 23662.

## F Limitations

S corporations may claim only 1/3 of the credit against the 1.5% entity-level tax (3.5% for financial S corporations). The remaining 2/3 must be disregarded and may not be used as carryover. In addition, S corporations may pass through 100% of the credit to their shareholders.

If a taxpayer owns an interest in a disregarded business entity [a single member limited liability company (SMLLC) not recognized by California, and for tax purposes is treated as a sole proprietorship owned by an individual or a branch owned by a corporation] the credit amount you receive from the disregarded entity that can be utilized is limited to the difference between the taxpayer's regular tax figured with the income of the disregarded entity, and the taxpayer's regular tax figured without the income of the disregarded entity.

An SMLLC may be disregarded as an entity from its owner, and is subject to statutory provisions that recognize otherwise disregarded entities for certain purposes, for example:

- The tax and fee of an LLC
- The return filing requirements of an LLC
- The credit limitations previously mentioned

Get Form 568, Limited Liability Company Tax Booklet, for more information.

This credit cannot reduce the minimum franchise tax (corporations and S corporations), the annual tax (limited partnerships, limited liability partnerships, and LLCs classified as a partnership), the alternative

minimum tax (corporations, exempt organizations, individuals, and fiduciaries), the built-in gains tax (S corporations), or the excess net passive income tax (S corporations).

This credit cannot reduce regular tax below the tentative minimum tax (TMT). Get Schedule P (100, 100W, 540, 540NR, or 541), Alternative Minimum Tax and Credit Limitations, for more information.

**This credit is not refundable.**

## G Carryover

If the available credit exceeds the current year tax, the unused credit may be carried over to the following year and the ~~10~~ <sup>1</sup> succeeding years until the credit is exhausted.

In no event can the credit be carried back and applied against a prior year's tax.

If you have a carryover, retain all records that document this credit and carryover used in prior years. The FTB may require access to these records.

## Specific Line Instructions

### Current Year Credit

Use line 1 through line 6 to figure any environmental tax credit from your own trade or business.

Skip line 1 through line 6 if you are only claiming a credit that was allocated to you from a pass-through entity (S corporation, estate or trust, partnership, or LLC classified as a partnership).

**S corporation, Estate or Trust, Partnership, or LLC (classified as a partnership)**

Figure the total credit on line 1 through line 6. Then, allocate the line 6 credit to each shareholder or partner in the same way that income and loss are divided.

### Part I – Current Year Credit

#### Line 1

Enter the number of gallons of diesel fuel produced with a sulfur content of 15 parts per million or less.

#### Line 3

Enter 25% (.25) of the qualified capital costs (defined in Part D, Definitions) for the facility that produces ultra low sulfur diesel fuel.

#### Line 9

Enter the amount from your 2007 form FTB 3511, Part I, line 12.

#### Line 11

The amount of this credit that can be claimed on your tax return may be further limited. Refer to the credit instructions in your tax booklet for more information. These instructions also explain how to claim this credit on your tax return. Use credit number **218** when you claim this credit. Also, see General Information F, Limitations.

### Part II – Credit Recapture

#### Line 13

Any credit amount previously claimed must be added back to your tax liability if the facility was sold or removed from California within five years of the date in which you first claimed the credit.

Enter the total here and on one of the following California tax returns or schedules:

- Schedule J (Form 100, 100S, or 100W)
- Schedule K (Form 109, 565, or 568)
- Other Taxes (Form 540, or Long Form 540NR)
- Other Taxes (Form 541, Line 21b)